

## THE IMPLEMENTATION OF ONE STOP INTEGRATED SERVICES (PTSP) AT LOCAL GOVERNMENT LEVEL AND IT'S KEY SUCCES FACTORS

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### Abstract

*The establishment of PTSP (One Stop Integrated Service) that required to all the local governments in Indonesia is expected could solve the broad efficiency problems in managing business license and practice. Until 2012, the amount of PTSP both in Provincial and Regencies level is 497 units. As the matter of fact, Local government policy on the establishment of PTSP is varied, it is determined by local government policy and their internal environment. The performance of PTSP however according to independent report indicates that PTSP function is not optimal yet. The government was worried that the implementation will not fulfill the substance of PTSP service and also worried about the business climate wouldn't be changed.*

*This research has two purposes: 1) to explore the PTSP performance in local government perspective and 2) to identify the key success factor implementation in the level of Regencies and City in order to accelerate the implementation succeeded. In order to manage the two purposes, research was implemented by collecting data in two ways: using data through survey and integrating data by qualitative method that collected through benchmarking. Survey has conducted through 10 local governments in Province of Jambi in 2010 and it is enriched by quantitative survey especially in Jambi City. While qualitative survey that took in form of benchmarking activities was conducted over three successful local governments in implementing PTSP in National Level, they are the Regency of Sragen, Sidoarjo and Jembrana. Furthermore, deep interview was practiced with Technical Team and some key persons that involved in managing business license. The method used to analysis data mainly is qualitative method that purposed to enrich previous findings. This method is used to reveal more facts that could be used by local government to implement PTSP.*

*The research results reveals some key success factors: 1) licenses are not fully aligned to PTSP, 2) poor of top management comittment 3) lack of innovation, 4) poor coordination, 5) lack of user enlighten and 6) designed information system is not well implemented.*

*Keywords. One Stop Integrated Service, benchmarking, Technical Team (TT), key factors, and Service design.*

## I. INTRODUCTION

### 1.1. Background

The decree Number 24, 2005 and the guidance for One Stop Shop Service (PTSP), Presidential Regulation on The One Stop Service on One Shop Service at Investment are the legal consideration for local government to establish and arrange regulations on public services and investment. The most reason to publish the regulation is to reformulate business licensing at least addressed on three goals i.e., time processing, cost, and legal regulation considered for business licensing that should be improved. The importance of licensing procedure and improving the performance is followed by the issued of Three Ministries Coordination to emphasize that the regional head must align all the licensing to PTSP (Anonymous, 2010).

Points that mentioned above is expected be the answer of investment problems in Indonesia where among the East Asian Countries, Indonesia performance in business licensing is still inefficient. The World Bank (2012), reports in Indonesia, time need to get the licensing is 30 days. It is too long, so in the Scheme of PTSP only need 10 days to get license since the documents complete prepared. To support this policy, Indonesian Government requires the establishing of PTSP in every local government. To make PTSP be competence, it is supported by technical team (TT) that works under PTSP control. TT members consist of the related SKPD official that expected solve the all the technical problems in handling licensing needed.

As the matter of fact, Board of Capital Investment Coordinator (BKPM) announced that not all the licensing aligned to the PTSP yet. It raised conflict with the other SKPD both vertically and horizontally and PTSP is conditioned to be weakened, it is perceived that PTSP has lower status than other related in issues licensing.

Based on the strategy consideration, PTSP problem could be identified as implementation problem. Implementation strategy as it has been said, the barrier of strategy are: 1) communication problems, 2) lack of competencies, 3) invalid assumption, 4) lack of coordination, and 5) weak organization. Those factor makes the strategy generally could not be implemented well.

As an organization substance, PTSP has a specific organizational environment where local government designed to achieve their goals. Hence, formal authority has an important role and crucial, mainly when considering hierarchy relationship PTSP against the higher one. Actually, PTSP has received the authority through local governmental regulation, but the role of regional head really needs to meet the function of PTSP to maximize investment service.

Furthermore, in the organizational level the role of innovation should be seriously considered. The government in this context implements the Informational and Technology System that called SIPIPISE. This innovation as the matter of fact must put the orientation on system user. People here should put the trust first, for example they have to believe that they can propose the licensing by themselves.

In order reveal the implementation and the performance of PTSP especially in Jambi Province, qualitative approach is used to complete the previous research result. It is expected through this approach will enrich the perspective of PTSP and could formulate the key success factor.

## **1.2. Research Purposes**

- a. To explain the PTSP Implementation in Jambi Province and the performance of PTSP generally
- b. To formulate key success factor of PTSP Implementation in order to be more performed.

## **II. LITERATURE STUDY**

According to institution consideration, PTSP establishment belong to public service, both relate to licensing and non-licensing. Basically, there are three points to be achieved, i.e., 1) simplify the licensing system, 2) reduce business licensing, 3) transparency in licensing processing. The three points is expected to accelerate business climate and Indonesian competitiveness globally. Accordance with the goals, the Government requires all the local governmental, provincial and districts to establish PTSP and all the completeness to run the institution effectively.

Until 2011, the amount of PTSP in Indonesia is 497 offices in all provincial and district governmental. If it compared with the amount of local government 530 units, PTSP is not found yet in all the local governments. The implementation and PTSP's performance in the local governments conditions actually is determined external environment. All the regulation that has been prepared should be followed the fit implementation and strategy of the PTSP as an institution.

To encourage the establishment of PTSP, the government prepares incentive and disincentive, prepares information system that called SIPIPISE. Furthermore, the government evaluates PTSP in cooperation with independent institution and announcing the best practiced. According to strategy perspective, the establishment of PTSP fulfills three criteria: 1) rare decision, 2) have consequence, and 3) directing. Generally, as the policy issued, the organization need the fit implementation to make policy effective.

In autonomy context, the policy that has been issued faces some difficulties, local government implement it in varied ways. That's why, every local government need different way to be practiced, due to different local conditions. External environment here influencing the implementation of PTSP to be succeed.

It is realized from the beginning that PTSP has lack of competencies especially officials competence to conduct field tasks. To overcome it, PTSP has TT to examine the documents and verify it in the field in order to decide licencing issues. The team member consists of competence official that coming from related SKPD. The team is fully managed by PTSP, their task simply is to verify all the documents through field visit and conclude the licensing process.

Licensing application generally relate to corruption practice in Indonesia where cost addition charged illegally. This practice raised applicator stigma where the applicator perceived to get faster service could be done through higher payment. Researcher agreed this condition is caused by face to face interaction that made provider to put addition charge for their own benefit. Furthermore, researchers agreed to overcome the situation by implement IT practice where face to face interaction could be reduced significantly.

The purpose of PTSP establishment more than prepare services investor applicant, but the processes should practiced good governance where transparent practiced hopefully avoid the process from cost addition. According to the broad expectation, the process will also hope to improved 10 investment criteria that determined by the World Bank. And finally the Indonesia Government hope the global competitiveness will is reached too.

PTSP services as one of public service organization as Kotler (2007) said is related with trust problems. As an official employee, PTSP performance is worried about the competencies and commitment. The employee is recruited not by competencies requirements, but by the rule that implemented in local government. That is why training especially in service customer is one of success determinant. The employee should focus to the customer need instead of the regulation they provided.

Diagnosing the strategic planning is important in the implementation of PTSP. Whelen (2006) said that the fallacy of strategy is caused by these factors: 1) poor communication, 2) operational management commitment is low, 3) fail to receive the feedback, 4) functional planning is fail, and 5) resource evaluation is not valid. The authority alignment is important to the PTSP but the strategy to implement the entire PTSP task is important too. And this is the commitment of the top management local government leader.

According to organization type, PTSP has three forms they are: 1) office, 2) chamber, and 3) agency. As bureaucratic forms, this type has less bargaining position against other institution in local government. Kantor especially is the lowest forms that perceived have weak bargaining position, not only in coordination but also in preparing budget. In this term, PTSP received the condition though it is not supported to the function of PTSP.

### **III. RESULTS AND DISCUSSION**

#### **3.1. The Substance of PTSP Service**

Until 2011, investment service in Indonesia is not shown significant progress yet. PTSP is preparing to solve part of investment problems, not all. Accordance with this situation, based on the World Bank report (2012) that implements 10 criteria Indonesia has 155 positions. The criterias are: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting Investors, paying taxes, trade across borders, enforcing contracts, resolving insolvency

(formerly closing a business) and employing workers conditions. From the ten criterias, conditions that have decrease performance are: 1) getting electricity, 2) dealing with construction permit, 3) getting credit, 4) investor protection, 5) trading across borders, and 6) enforcing contracts. Hence, the investment determinants, ten criteria that formulate by World Bank have no significance progress in Indonesia.

Starting business in Indonesia has been crucial thing however in Indonesia, so the simple purpose of PTSP is shortening time to start business. In the same report, different section it reported that the conditions of Indonesia is explain below: 1) Indonesia need 8 requirements to start business compare to Asia Pacific is 7 requirements, 2) procedure time need 45 days compare to Asia Pacific is 37 days. The two measures support the conclusion that until 2012 there is no significance performance in business climate especially in starting business.

The above performance is tends to be more complex when the conditions is trapped by the inappropriate different local government policy. In this context, L.Steer (2006) reported that though the most license procedure had been regulated by decree, actually there is at least three problems: 1) there are important discrepancies licensing procedure and implemented regulation in terms of processing time, cost and requirements 2) local government have the freedom to create additional licenses and charges and 3) lack of coordination between the linked institution at the district level.

The service by PTSP is based on assumption that all the requirements to get licensing are conducted in PTSP. Someone who proposes licensing need not go to another office, because PTSP can do it in PTSP office. To support it, PTSP has an instrument Technical Team (TT). The members of TT consist of officer that coming from certain related institution that fulfills the competence to handle their task. Simply their task is to examine the documents and make field trip to every proposal document.

Until 2011, all districts in Jambi have established PTSP, where Batanghari is the region firstly establishes. According Johannes and J. Husni (2010) the performance of PTSP is not fulfill the requirements yet. The discrepancy of procedure and the envelopment of TT are found. Furthermore, Erny, M., (2011) has reports that not all the respondent in her research get the licensing at PTSP. The brief description of her research finding is as follow.

Table 1. User Category, Frequencies, and Office Visited

No	User Category	Frequencies	Office Visited (Percentage)
1	1	54	74
2	2	26	8
3	3	12	13
4	4	8	5

Source: Erny Melina, 2011

As it has shown in Table 1, the category of respondent that visit 1 office (74%), 2 office (8%), 3 offices (13%), and 4 offices (8%). This condition is caused by city government policy to determine that not all the licensing aligns yet to PTSP. Though should be noted that the government make clear planning to align the entire license to PTSP. It seems the city government makes clear preparations instead of let the PTSP following unclear rule against other local government related institutions.

The tendency of PTSP not be aligned all the license caused some problems, i.e. 1) Functioned PTSP as “rubber stamps” in the process, where all the procedure handle by other institution or by the TT, 2) raised conflict with other institution in local government, and 3) keep sustain the stigma that the establishment of PTSP changing nothing with licensing practice.

In several places, PTSP proactively changing the conditions, shorten time service to user. PTSP in Sarolangun Regency does “cross the cornet” to make shorter the process. If the TT considered late, the official left them behind and PTSP verify themselves the process in field processes. To complement this attitude, PTSP makes the rule for “forbiden to represent someone to get llicense”. Furthermore, PTSP in West of Tanjungjabung shows fit action with TT, where they can handle task together to make time needed be effective Johannes and J. Husni (2010). In his progress, the head region role should be considered to make PTSP confidently work and make formal rule implemented.

### 3.2. Service Attribute and User Trust

Examining the PTSP performance, the product could be categorizing as service where user trust is the main determinant. It is known, in service Servequal with five dimension; reliability, responsiveness, tangible, assurance and empathy is the often used to measure customer satisfaction. To make the effort more generously used, that principle could be complemented with attributes approach.

In the above of measuring PTSP performance, E. Indarini (2009) fit Servqual to measure the user satisfaction in PTSP of DKI. She found that the user is satisfied with the PTSP performance. Her approach was complement by SWOT that used to provide managerial recommendation. The recommendation are: 1) the faster licensing process, 2) it is needed the information of capital investment through online instrument, 3) increasing official competence responsiveness to the investor, 4) increasing the PTSP infrastructure, and 5) socializing the capital investment policy in order to increase the competitiveness.

To measure PTSP performance, Ridha F., (2008) used the same approach unto PTSP in Lhoksumawe. She found that Servqual dimension that cannot fulfill the user expectation is tangible. She recommends managerial aspect as follow: 1) increasing user bargaining position, 2) function voice instrument, and 3) service cultural building. Furthermore, Erny, M., (2011) examine the relationship between user satisfaction and some independent determinant (human resource competencies, comfort places, infrastructure, information media, and 5) complaint resolution. He found factor that significantly influence is information media. Johannes (2011) report two important



things to PTSP: 1) faster service and complaining resolution, and (2) service access that should be conducted by PTSP to make fit performance with the user importance.

Recent focus on service is customer satisfaction orientation where put it to be the responsibility of the organization. In the perspective of public services it is considered to be more important due to the fact that officials lack of service competencies. In accordance with this point, it is important to examine user needs by using Importance Performance Analysis (IPA). If this tool is used carefully, service attributes will be different between one PTSP to another. To support the access and the equality of information, the Government implements Information System that called SIPIPISE. Until 2011 this device hasn't been employed yet. The reason is not because the equipment but the availability of competent official.

In the process of licensing service, it was found the stigma that believes on handling by official will be faster. It seems the user has no problems with the additional cost they paid. It is found in The City of Jambi, where the officials give hands to the user from the beginning. Contrastly, finding in Sarolangun is distinguished, which prevents third person to be involved to prepare licensing document. Stigma that has been said is really dangerous to PTSP, user will never put their trust that PTSP implementation really changes the licensing procedure.

Public trust is the most important thing to make service successfully carry out. Kotler Philip and Lee Nancy (2007) in the context public service where the provider is public official, trust is absolutely required. Trust is very important in preventing corruption practices that usually found in Indonesia. To improve trust, the problem is not only providing competent people but also official that could transform themselves to be the real servant.

The other important attribute is information technology (IT) implementation. IT is trusted that by technology corruption could be eliminated, because technology reduces face to face transaction. The IT implementation is varied depending on the physical and software installed. In Sidoarjo, IT implementation is mainly used. In such implementation, the user can read and download all documents needed. So when the user comes to the front office, the official just examines the entire document proposed. Basically, Web just used to deliver the forms to the user. The impact to the user is creating efficiencies and it is supported by the clear information that could be accessed by the user. The more intensive of IT practiced on PTSP is implemented by Sragen Region. Johannes and Teguh.S (2009) report the web based service in Jembrana has reached the interaction and transaction stages. In these stages user not only receives feedback soon, but also encourages paying the bill through the system that guarantees corruption practices could be avoided.

### **3.3. Cost and Licensing**

Until 2012, cost to get license still be the main barrier to start businesses where cost addition still found. Frida R., (2012) explains that corruption practice in licensing process mainly is caused by monopoly position by certain institution in local government. Corruption here is presumed built in a sophisticated system that caused

hard to be eliminated. Further, she suggests that corruption practice could be eliminating if only there is a social control, especially user monitor the system.

Licensing item and cost in Jambi Province according to Johannes and J. Husni (2010) is significantly varied. Licensing items that manage by PTSP until 2011 are as follow: Muarobungo (40), Tebo (17), Sarolangun (101), East of Tanjung Jabung (28), Batanghari (36), Kerinci (2) Merangin (24), and West of Jabung Barat (24). The phenomenon found is dysfunctional of PTSP purpose, PTSP is expected to increase income for local government instead of preparing service.

### **3.4. Innovation and Accompanying**

Innovation is the key to carry out public service where the provider is employee that belongs to government official. In developing countries, government official is presumed not to be competence especially to carry out services. In this context, Vingard, M. J. Bitner, and Gremler, D. D., (2006) emphasizing the importance of cross cooperation to transform the potential to serve customer. It is importance to be noted when the institution involved to issue the licensing is not determined by one institution.

It is important to be noted accompanying that conducted by the Asia Foundation on PTSP. The Asia Foundation (2007) reports accompanying program that conduct in 55 PTSP, both in provincial and district level. They proposed five dimensions PTSP performance: 1) structure, 2) operational, 3) licensing volume published, 4) user perception, and 5) licensing process. These dimensions are measured in the beginning of PTSP intervention and in certain year. It is reported that all the dimensions score increasingly improved. The report could be used by local government to formulate program and policy accelerate the performance of PTSP.

The experience of succesful PTSP is also shows the role of independent institutions. Sidoarjo is accompanying by NGO that encourage the institution to comprehend their tasks and setting the quality program. Johannes and Husni.J (2010) report the accompanying purposes is succeed to make PTSP more comprehend target and put the higher target to be established. PTSP not only make survey to the customer but put target that based on quality perspective. Furthermore, PTSP in Sragen is accompanying by GTZ. Johannes and Teguh.S (2009) report the role of TI to be main instrument to apply good governance. All the transaction there could be conducted and accessed by top management as monitoring activities.

The benefit of accompanying is encouraging PTSP to be transformed the potency to be fit to user need and making commitment to get higher quality. In point of view official public service is more important to help the institution to be more considered service as their tasks. Finally, the role of PTSP is also providing other important attribute to the service program. For example, user need of investments information that could be available in PTSP information.



### **3.5. Coordination**

Coordination relates with institution communication process, promoting what organization has done and what they expect to be supported in order to realize each position. Simply, PTSP coordination could be divided to vertical and horizontal coordination. Coordination that conduct information flows from the member to each other continuously will help every member to comprehend each position. James K.Summers and et.al (2012) coordination function is to flow the information and the role of member position to make change. With a different perspective, Ryan W.Quinn and Jane E.Dutton (2005) propose his finding that said coordination actually will reposition the organization both internally and externally.

Considering PTSP organizational condition, coordination problems raised firstly because of the institutional level. District has different level of PTSP organizational, they are; unit of service, agency and official. This kind of institution has different position in governmental environmental organization. The effect of kind institution is make PTSP weaken in conducting coordination The role of regency is really need to manage the coordination, because sometimes the coordination is determined by the position not by the purpose that should be established.

### **3.6. Key Factors**

Based on the above explanations, key success factor of the PTSP implementation in Jambi province are as follow.

- a) License alignment. When local decree has issued to establish PTSP, legally all business licensing in that district is belong to PTSP. To support this idea, TT was prepared to support PTSP tasks. There is reason to cancel all the authority, but the clear planning should be carried out to ensure the transparent practices.
- b) Top management commitment. Commitment is not written but by an action. Top management however should realize the establishing of PTSP is not to create income generating, but to serve. Furthermore the effect of being serve satisfied, business will create income not only for themselves but to the local government both directly and indirectly.
- c) Innovation. Innovation is very important to enlarge service interms of quality and coverage. Innovation should consider customer need, considered their ability to use technology. Innovation is also considered enlarge service, customer not only prepare business licensing but also the information of investment. This is very important and not costly; technology can share much information between different institutions in the district level.
- d) Customers enlighten. Being citizen, customer need should be considered more seriously because they are obliged to be serviced. Hence, PTSP should package service and deliver to enlighten PTSP function. Customer

enlightens here use the integrated communication where feedback should be prioritized.

- e) Information system. In the future, the basic of information system is computer. But to welcoming the system, official should be empowered first before users are enveloped.

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